

City of Detroit

CITY COUNCIL

IRVIN CORLEY, JR.
DIRECTOR
(313) 224-1076

FISCAL ANALYSIS DIVISION
Coleman A. Young Municipal Center
2 Woodward Avenue, Suite 218
Detroit, Michigan 48226
FAX: (313) 224-2783
E-Mail: irvin@cnci.ci.detroit.mi.us

ANNE MARIE LANGAN
DEPUTY DIRECTOR
(313) 224-1078

TO: COUNCIL MEMBERS

FROM: Irvin Corley, Jr., Director *ICJ*

DATE: July 2, 2008

RE: 2008 Downtown Development Authority Proposed Amendments to the Restated Tax Increment Financing Plan and Development Plan for Development Area No. 1 (**Recommend Approval**)

A public hearing is scheduled today on the 2008 proposed amendments to the Restated Tax Increment Financing Plan and Development Plan for Development Area No. 1 from the Downtown Development Authority (DDA).

The first attachment is a summary of the proposed amendments as prepared by authorized agents of the DDA. The DDA Board of Directors approved these amendments on April 24, 2008. The City Planning Commission approved the DDA proposed amendments on May 15th.

Customarily, the Downtown Citizens District Council (CDC) approves the DDA amendments before the public hearing on the proposed amendments. After today's public hearing, a 20-day period lapses before Council takes action on the proposed amendments. The 20-day period ends on Tuesday, July 22nd. It is assumed the proposed amendments would appear on the Planning and Economic Development's committee agenda on Wednesday, July 23rd, with a potential Council vote on Tuesday, July 29th, your Honorable Body's last day before the summer recess.

Although the Downtown CDC input is advisory, it is important. Therefore, it is hoped this CDC would approve or make any comments on the DDA proposed amendments before July 22nd.

The second attachment represents responses to my initial review of the DDA proposed amendments to the Tax Increment Financing Plan. I found the responses satisfactory.

Analysis

The DDA proposed amendments appear reasonable. Below is Table 1 describing the DDA sources and uses of those sources supporting the proposed amendments.

Table 1
Sources of Funding and Uses of
Funding Under the 2008 DDA Proposed Amendments
Amendments to Tax Increment Financing Plan
(In Millions of Dollars)

Sources of funds (1)

Adjusted estimated annual tax increment revenue		(\$1.88)
Excess school revenue returned to State		(7.19)
Adjustment from estimated to actual loan repayments		(1.02)
DDA borrowings-Michigan Avenue Garage		21.00
Michigan Avenue Garage estimated inflow		22.00
Economic Development Corporation grant		3.50
Sale of DDA owned real estate		6.80
Adjustment to interest income in TIFA and Bond revenue		2.40
Funds from project reductions:		
- Advance repayment (reduced debt service req'd)	\$12.34	
- Housing Office Retail program	52.95	
- Closing costs/service fees	0.75	
	<u>\$66.04</u>	66.04
Total DDA Sources for Proposed Amendments		<u><u>\$111.65</u></u>

Uses of funds

Increases in projects/programs:

- Lower Woodward Streetscape	\$7.00	
- Land Assemblage	5.85	
- Downtown Holiday Light	1.00	
- DDA Operating Fund	2.50	
- Development Financing SBLT	1.00	
	<u>\$17.35</u>	\$17.35

New project additions:

- Quicken Loan Headquarters	\$40.00	
- 150 Michigan Avenue Garage	23.50	
- Michigan Ave. Garage Debt Service	30.80	
	<u>\$94.30</u>	94.30

Total DDA Uses of Funds (Sources) per Proposed Amendments	<u><u>111.65</u></u>
---	----------------------

(1) Sources represent changes from the last DDA proposed amendments approved by City Council in October 2005.

Approximately 84% of the new project additions represent the Quicken Loan Headquarters project and the construction of the Michigan Avenue Garage.

Quicken Loans The Quicken Loan project is significant, as it involves the relocation of Quicken Loans Headquarters from Downtown Livonia to Downtown Detroit. The \$40 million parking subsidy included in the proposed amendments, a 20-year Renaissance Zone designation, a Brownfield credit, and tax incentives from the Michigan Economic Growth Authority help to make the \$350 million Quicken Loan project a reality, and help Detroit compete with the suburbs for headquarter relocation. Exhibits B and C in the second attachment provide more detail on the incentives.

Meanwhile, Quicken Loans would bring 4,000 new jobs to the City of Detroit that would generate approximately \$3.3 million in income tax revenue for the City annually, and about \$10 million annually for the State. In addition, other economic spin-off benefits would be generated.

Michigan Avenue Garage The 545-space Michigan Avenue Garage would complement the Book Cadillac Hotel project. The DDA would acquire the completed garage from a developer for \$23.5 million, which should generate approximately \$1.1 million annually from operations. The DDA would issue \$21 million in bonds for acquisition, and pay over time approximately \$31 million in debt service on the bonds.

Sources The biggest source of funds for the new projects just described and the \$17.4 million addition to existing projects (Lower Woodward Streetscape, Land Assemblage, Downtown SBLT, Downtown Lighting, and DDA Operating) is from reductions from existing projects, representing a shift in priorities. Notice the \$53 million reduction in the Housing Office Retail program alone, a significant chunk. This program is primarily for smaller developments. Rightfully so, significant funds get shifted to help “big name” projects (for e.g., Quicken Loans and Book Cadillac) come to fruition, while lesser dollars are needed for smaller projects when the local economy is slow. Nevertheless, approximately \$78 million remains in the Housing Office Retail program for future projects.

Another interesting observation about DDA sources is the seemingly shrinking tax increment revenue base. Currently, either overall property values are not growing, or property assessment appeals dwarf any growth in values. In addition, it does not help DDA’s financial picture as excess school tax revenue from projects created before 1994 has to be returned to the State due to Proposal A. Consequently, the DDA has to constantly rely on other sources (real estate sales, EDC grants, borrowings and program reductions-priority shifts) to make ends meet and fund projects.

Program/project shifting is not new to the DDA, and probably will always occur depending on the state of the economy and what is fashionable in the real estate

market (such as lofts, condominiums rather than clothing stores) at the time. And of course, the tax increment revenue could grow at healthy rates again as the real estate market turns around and more downtown projects are built.

But the longer any turn around occurs; coupled with shrinking property values, can spell trouble for the DDA and its important initiatives in the future.

Attachments

cc: Council Divisions
Auditor General's Office
George Jackson, Detroit Economic Growth Corporation President
Art Papapanos, DDA Authorized Agent
Glen Long, DEGC Chief Financial Officer
Norman White, Chief Financial Officer
Pamela Scales, Budget Director
Kerwin Wimberly, Mayor's Office

DDA Proposed TIF Amendments July 2008.doc

**SUMMARY OF
PROPOSED AMENDMENTS AND MODIFICATIONS
TO THE
RESTATED TAX INCREMENT FINANCING PLAN AND
DEVELOPMENT PLAN FOR DEVELOPMENT AREA NO. 1**

June 2008

**RESTATED TAX INCREMENT FINANCING PLAN
AND DEVELOPMENT PLAN FOR DEVELOPMENT AREA NO. 1
Summary of Proposed Modifications
June 2005**

DEVELOPMENT AREA NO. 1

Boundary Modifications

There are no proposed boundary modifications to the Tax Increment Plan and Development Plan for Development Area No. 1 (the "Plan").

ADJUSTMENTS TO THE ESTIMATED ANNUAL TAX INCREMENT REVENUE

The estimated annual tax increment revenues are adjusted to reflect changed conditions and the current status of a number of Downtown Development Authority projects. They are as follows:

- Adjustment of the estimated annual tax increment revenue to more accurately reflect same, as calculated by the DDA staff.
- Adjustment from estimated to actual loan repayments to DDA for years 2003-04 through 2006-07.
- An estimated inflow of \$21.0 million, through DDA borrowings or issuance of DDA TIF bonds to finance the construction of the Michigan Ave. Garage, to be owned by DDA.
- An estimated inflow of \$22.0 million of Michigan Ave. Garage net revenues over a 20 year period.
- An anticipated grand of \$3.5 million from the Economic Development Corporation.
- An estimated inflow of \$6.5 million from the sale of DDA owned real estate.
- Adjustment to interest income on TIFA and Bond Revenue from an estimate of \$98.27 million to an estimate of \$100.71 million over the life of the Plan, which expires in FY 2027-2028.

PROJECT EXPENDITURES

WASHINGTON BOULEVARD AREA

Michigan Ave. Garage

The project consists of the acquisition by the Authority of an under construction 545-space garage with approximately 12,000 square feet of retail at street level. Acquisition cost is \$23.5

million. The garage is being built to accommodate the redevelopment of the Book Cadillac Hotel as well as future development in the air rights above the garage. An enclosed pedestrian bridge will link the garage and the Residences at Book Cadillac on the third level. This garage will provide additional secured parking to support future development projects in the area.

The Downtown Development Authority will acquire the garage from 150 Michigan, LLC who is servicing as the developer for the construction of the garage. Future selection of a developer(s) for the air rights will be carried out in accordance with the City of Detroit and DDA guidelines, procedures and criteria.

The Authority is anticipating to borrow or issue TIF bonds in the amount of \$21.0 million. Debt service is estimated at \$1.54 million annually for 20 years for a total amount of \$30.8 million.

RETAIL COMMERCIAL CORE AREA

Quicken Loans Headquarters

The City and the DDA were successful in obtaining a commitment from Quicken Loans to relocate its Headquarters along with an estimated 4,000 employees to a Downtown location. Part of the incentive package to attract this relocation includes a commitment from the City and the DDA to provide a parking subsidy for a period of up to 20 years through the DDA. The DDA will provide a grant to Quicken or the landlord in the amount of up to \$2.0 million per year. The project cost is estimated at approximately \$350.0 million.

Quicken Loans is seeking benefits pursuant to Act 376 of 1996 (Michigan Renaissance Zone Act) for its headquarters site for a period of twenty (20) years rather than current maximum period of fifteen (15) years. In the event that a Renaissance Zone is created for the headquarters site but Quicken is unsuccessful in obtaining the benefits provided pursuant to the Act 376 for a period of twenty (20) years, the DDA staff, subject to Board approval, will investigate the appropriateness of providing a rebate of the tax increment collected by the DDA on account of the headquarters site to the owner of the headquarters site for a period commencing with the date of termination of the Act 376 benefits and extending for a period of up to five (5) years from that date.

CONVENTION FACILITIES AREAS

Convention Facilities Area Public Improvements

DDA's allocation of \$ 2,146,000 for the Downtown Holidays Lighting program is increased by \$1,000,000 to fund the program for the FY's 2008-09 to 2012-13.

LOWER WOODWARD IMPROVEMENT AGENDA

Streetscape Improvements Project

Phases I through III of DDA's Streetscape Improvements Project have been successfully completed. The proposed amendment includes a \$7.0 million increase in the project's budget to fund phases IV & V as described in the DDA Tax Increment Plan.

LOAN & ABSORPTION PROGRAMS

Development Financing SBLT

DDA's allocation of \$4.0 million for the Small Business Loan Transaction program is increased by \$1.0 million.

Housing/Office/Retail Development & Absorption Fund

The DDA's allocation of \$130.61 million to accommodate construction and/or rehabilitation of downtown facilities under its Housing/Office/Retail development program is decreased by \$52.95 million for the duration of the Plan, which expires in FY 2027-28.

DOWNTOWN GENERAL DEVELOPMENT

Land Assemblage

The current DDA allocation of \$92.83 for the Land Assemblage program will increase by \$5.85 million to a total amount of \$98.68 million over the duration of this Plan to expire FY 2027-2028.

DDA OPERATIONS

DDA Operating Budget

For the last 12 years, the DDA is enhancing its operating budget by transferring a certain amount of funds from the Tax Increment account. Proposed with this amendment is an allocation of a \$2.5 million transfer to the DDA operating account at the rate of \$500,000 annually, for FY 2008-09 through 2012-13

MISCELLANEOUS REVISIONS

Advance Repayments

The current DDA allocation of \$35.8 million to pay for certain advances, which primarily included a \$15.0 million City bond issue to partially fund the Ford Field stadium, is reduced by \$12.34 to \$23.46 million as a result of reduced debt service payments.

Closing Costs/Service Fees

The \$7.47 million allocation for closing costs/service fees has been reduced by \$.75 million to \$6.72 million.

General

As necessary, additional changes or minor revisions will be made to reflect the current status of the Authority's development projects.

Complete deletions of projects

Total Deletions	-	Total Reductions	66.04	Total Increases	17.35	Total Additions	94.30
-----------------	---	------------------	-------	-----------------	-------	-----------------	-------

REVENUES

PROJECT EXPENDITURES BY AREA

[illegible]

		0	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23
TOTAL	REQ'D	ACTUAL	ACTUAL	ACTUAL	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
		78-08	05-06	06-07	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
GRAND CIRCUS NORTH DEVELOPMENT AREA																									
Theatre District Acq/Improvements	22.85	22.85	22.85																						
Tiger Stadium	50.45	50.45	41.31	0.28	0.29	0.30	0.31	0.32	0.33	0.34	0.35	0.36	0.37	0.38	0.39	0.40	0.41	0.43	0.44	0.45	0.47	0.48	0.49	0.51	0.52
Lions Stadium **	85.00	85.00	85.00																						0.54
HARMONIE PARK AREA																									
Harmonie Park Development	6.70	6.70	4.55	0.72	0.05	1.38																			
Music Hall Restoration	0.35	0.35	0.35																						
Detroit Opera House	1.50	1.50	1.50																						
PEOPLE MOVER SYSTEM																									
Skywalk Bridges Maintenance and Imp	0.55	0.55	0.55																						
People Mover Art	0.91	0.91	0.91																						
People Mover Route Enhancement	0.30	0.30	0.30																						
People Mover Support	24.40	24.40	24.40																						
LOWER WOODWARD IMPROVEMENT AGENDA																									
Gap Financing Program	3.00	3.00	3.00																						
Facade Improvement Program	11.50	11.50	2.11	4.55	2.56	2.28																			
Streetscape Improvement Project	17.55	24.55	11.26	6.32	0.23	(0.26)	2.00	5.00																	
LOAN & ABSORPTION PROGRAMS																									
Development Financing SBLT	4.00	5.00	3.41	(0.08)	(0.19)	0.84	0.51	0.51																	
Housing/Office/retail Dev./Absorp. Program	130.61	77.66	11.78	0.75	3.81	2.83	2.58	6.09	2.22	2.04	3.05	2.00	2.05	1.84	1.95	2.03	2.84	2.84	2.83	3.21	3.21	3.20	3.19	4.85	4.84
																									1.83
VIDEO PATROL SYSTEM																									
Downtown Video Patrol System	0.20	0.20	0.20																						
DOWNTOWN GENERAL DEVELOPMENT																									
Downtown Development Planning & Marketing	2.50	2.50	0.39	0.10	-	2.01																			
Land Assemblage	92.83	98.88	26.10	4.08	0.90	9.39	2.41	6.00	2.21	2.04	3.00	2.00	2.00	1.90	1.80	2.00	2.84	2.83	2.82	3.22	3.21	3.20	3.19	4.85	4.85
Special Areas Maintenance	0.15	0.15	0.15																						1.84
Building Demolition	-	8.00		0.31	1.24	6.45																			
OTHER																									
DDA Operating Fund	8.45	10.95	6.95	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50														
Closing Costs/Service Fees	7.47	6.72	6.26	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02
Bond debt service reserve	18.52	18.52	18.52																						
City of Detroit TIFA #2	2.89	2.89	2.89																						
City of Detroit TIFA #2-Interest payment	0.42	0.42	0.42																						
ANNUAL TAX INCREMENT LIABILITY	687.05	731.20	462.49	27.44	16.73	29.98	32.93	18.64	6.48	7.14	9.12	6.38	6.44	6.14	6.16	6.46	6.11	6.12	6.11	6.90	6.91	6.90	6.89	12.23	12.23
																									12.23
OBLIGATIONS:																									
Millender Center - Sec 108	22.49	22.49	22.49																						
One Detroit Center - Sec 108 *	22.89	22.89	22.89																						
Advance repayment	35.80	23.48	10.82	0.79	0.79	0.79	0.79	0.79	0.79	0.79	0.79	0.79	0.79	0.79	0.79	0.79	0.79	0.79	0.79						
Monroe Garage - Pension Fund	1.43	1.43	1.43																						
Michigan Ave Garage Debt Service	-	30.80				1.54	1.54	1.54	1.54	1.54	1.54	1.54	1.54	1.54	1.54	1.54	1.54	1.54	1.54	1.54	1.54	1.54	1.54	1.54	1.54
TOTAL OBLIGATIONS	82.41	100.87	57.43	0.79	0.79	0.79	2.33	2.33	2.33	2.33	2.33	2.33	2.33	2.33	2.33	2.33	2.33	2.33	2.33	1.54	1.54	1.54	1.54	1.54	1.54
TOTAL EXPENDITURES BEFORE DEBT SERVICE	789.46	832.07	519.92	28.23	11.52	30.74	34.36	20.97	7.81	9.47	11.45	8.71	8.77	8.47	8.49	8.78	10.44	10.45	10.44	10.44	10.45	10.44	10.43	13.77	13.77
NET CASHFLOW BEFORE DEBT SERVICE	-	-	272.29	11.51	23.15	(9.19)	21.26	12.72	11.18	9.49	10.56	10.13	10.36	10.35	10.33	10.34	9.41	9.41	9.41	9.41	9.41	9.42	6.08	6.08	6.08
GROSS GARAGE BOND DEBT SERVICE	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
GROSS BOND DEBT SERVICE	498.15	230.45	20.16	20.16	20.16	20.16	20.16	10.34	10.34	10.35	10.36	10.36	10.35	10.34	10.34	9.41	9.41	9.41	9.41	9.41	9.41	9.42	6.08	6.08	6.08
NET ANNUAL CASHFLOW	-	41.84	(8.65)	2.99	(29.35)	1.12	(7.44)	0.85	(0.85)	0.23	(0.23)	0.00	0.00	(0.01)	(0.00)	0.00	(0.00)	0.00	(0.00)	(0.00)	(0.00)	0.00	(0.00)	0.00	0.00
CUMULATIVE BALANCE	-	41.84	33.19	36.18	6.83	7.98	0.60	1.38	0.60	0.73	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60

*NOTE: The \$22.58 million in One Detroit Center financing expenses is composed of \$16 million of Section 108 principal proceeds, plus \$6.58 million in interest. Terms are interest only for 1 year and 6 annual payments thereafter at an average rate of 8.58%. The funds are also being drawn down early so that additional interest may be earned. Closing fees of \$110,000 were paid to HUD at closing.

** Note: \$40.00 million will be raised by the sale of DDA's ownership rights in the new Tigers Stadium to the Detroit/Wayne County Stadium Authority. and \$15.00 million will be raised through the sale of City Bonds.

† Additions/Deletions to Current Plan Appear within Boxes

City of Detroit



Down town Development Authority
500 Griswold • Suite 2200
Detroit, Michigan 48226
Phone: 313 963 2940
Fax: 313 963 8839

June 17, 2008

Mr. Irvin Corley, Jr.
Fiscal Analyst
City of Detroit
Coleman A. Young Municipal Center
2 Woodward Avenue, Suite 218
Detroit, MI 48226

RE: Questions on the 2008 Downtown Development Authority Proposed
Amendments to the Restated Tax Increment Financing Plan and
Development Plan for Development Area No. 1

Dear Irv:

Please find below answers to your questions submitted to my office on June 3, 2008.

- 1. Will the DDA be meeting with the Downtown Citizens District Council to discuss the proposed amendments to the Plan before the public hearing on July 2nd? If so, please forward the CDC's recommendation to the City Council as soon as possible after the submission of its recommendation.**

Tax Increment Financing Plan and Development Plan for Development Area No. 1. DDA will meet with the Downtown Citizens District Council on Thursday, June 19, 2008, to present proposed amendments to DDA's

- 2. Please provide the DDA's calculation of the adjustment of the estimated annual tax increment revenue, with any backup materials.**

We obtained the taxable values from the City of Detroit's report dated 6/8/07. The base year was subtracted from that leaving a gross amount of 467,099,912. Renaissance zone taxable values of 51,588,255 were subtracted from that leaving a value of 415,511,647. That value was multiplied by the 2007 tax rates giving a gross revenue amount for each year.

The gross revenue amount is then adjusted by adding the reduced 21 mil rate for the renaissance zones and subtracting the estimated excess school revenues that need to be returned to the State due to Proposal A from 1994. From that amount, another adjustment is made to subtract out taxes in appeals. The appeal rate is calculated by multiplying the tax rate by the assessed values of appealed properties and utilizing a 50% rate of success on the appeals. These calculations are spelled out in schedule 1 of the TIF plan.

3. **Please provide the DDA's rationale of the estimated inflow of \$22 million from the Michigan Avenue Garage's net revenues over the 20-year period.**

The garage is estimated to generate approximately \$1.1 million in revenue before debt service payment. See attached Proforma (EXHIBIT "A").

4. **Please provide the source of the Economic Development Corporation's contribution of \$3.5 million to the DDA in this revised plan and explain why the EDC is willing to give this to the DDA.**

The DDA provided, through its TIF Land Asseblage program, approximately \$10.0 million for the acquisition of the Harmonie Park properties for the Paradise Valley project. This project was to be funded through EDC's Casino Business Development Fund. EDC reimbursed DDA \$6.5 million to-date. The balance of \$3.5 million will be paid to DDA shortly.

5. **Please explain which DDA owned real estate would generate \$6.5 million for this revised plan. Do you have interested buyers now for these properties?**

The DDA will receive \$2.5 million from the sale of 100 spaces of the 150 Michigan Ave. garage to the Book Cadillac condominium owners. The source of the \$4.0 million balance represents revenue from the sale of other properties owned by DDA. Sale negotiations are in different stages at this time.

6. **Please provide a copy of the incentive package for the Quicken Loans project.**

As you are aware, in order for the City to successfully attract Quicken to downtown and not allow them to move out of the State, we had to put a very aggressive incentive package on the table. We're talking about 4,000 employees that will generate over \$3 million in City income tax annually and who will transform the demographics of downtown. I've attached the Incentive schedule (EXHIBIT "B"), however, it assumes a 20-year Renaissance Zone, which is questionable given this would require State legislation approval. Quicken is working with MEDC to see if that can be accomplished. See Quicken Incentive file that is attached and obviously these numbers were our best estimates at the time and continue to evolve as the numbers continue to be refined.

7. **Page 91 of the plan shows the sources and uses statement related to the Quicken Loan project, and it is great that Quicken Loans is providing 88.5% of the financing for the project. But, please provide how the Michigan Renaissance Zone would benefit this project. It would be great to see a cash flow pro forma showing the need for this tax incentive.**

Our biggest obstacle was demonstrating to Quicken that the City of Detroit is competitive with the suburbs. The attached analysis compares a typical downtown deal and estimates how the various incentives will impact the numbers versus a standard deal in the suburbs. See the attached Rock Analysis (EXHIBIT "C"). Again this assumes a 20-year Renaissance Zone.

8. **Please describe any other City of Detroit and State of Michigan incentives the Quicken Loans project would receive.**

All of the incentives are incorporated in the attached Quicken Incentive Schedule (EXHIBIT "B"), except that the Developer has the opportunity to acquire up to 4 sites in total, should they submit to the DDA acceptable development plans for them within the agreed upon timeframe. It was very important to Quicken have sites available to them for development to assist in their efforts in attracting other businesses to Detroit.

9. **I know that Quicken Loans would not be the only DDA project receiving a parking subsidy. Please list any other projects receiving such subsidy and the amount and duration of those subsidies.**

EDS - One time payment of \$6 million
Visteon (replaced by Marketing Associates, Health Plan of Michigan and Walbridge) One time payment of \$3 million to the Developer.

10. **Please describe the impact of the proposed \$52.95 million reduction of the Housing Office Retail Program to help make other pressing project needs happen in the DDA area via this plan amendment.**

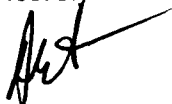
The majority of the \$52.95 million will be used for the purpose intended under the program, i.e. funding the DDA's obligation to the Quicken Loans project. Consequently there is a positive impact to the Housing Office Retail Program.

11. **There is no reference to the Campus Martius Cadillac Square Campus project on the Monroe Block in this DDA plan amendment. Please provide an update of this project.**

The Development Agreement does not call for any TIF money for the project. The DDA contributed the land for \$1. The Developer has until September 2008 to complete its due diligence.

If you have any additional questions please call me

Sincerely



Art Papapanos
Authorized Agent

- c. George Jackson, Jr.
Glen Long
Brian Holdwick

EXHIBIT "A"

150 MICHIGAN PARKING DECK ANALYSIS
12/14/2007

Proforma - (545 Car Garage)					
	Per Month	Per Year			
Cash Receipts:					
Hotel Monthly Rent per Space	\$188				
Number of Spaces Rented Monthly by Hotel	200				
Total Rent/Month from Hotel	\$37,500	\$450,000			
Base Apartment Space Rent (Operation fee)	\$50				
Number of Base Apartment Spaces	100	(100 Book)			
Total Rent from Base Spaces	\$5,000	\$60,000			
Additional Apartment Space Rent	\$125				
Number of Apartment Free Spaces	0				
Total Rent from Additional Apartment Spaces	\$0	\$0			
			196		
Daily/Oversell Parking	\$49,000	\$588,000	(\$250/sp for 196 spaces(80%-245 spaces))		
Event Parking	\$10,000	\$120,000			
Total Rent per Year from Parking		\$1,218,000			\$1,218,000
Total Rent per Year from Retail Space	12,000	sf @	\$17.00	/sf NNN	\$204,000
Total Cash Receipts					\$1,422,000
Cash Disbursements:					
Yearly Parking Operating Cost	542	@	\$600	/space	\$325,200
Property Taxes	82.57	mits	0%	cost	\$0
Total Operating Costs					\$325,200
Net Operating Income					\$1,096,800
Debt Service					\$1,542,331
Debt Service Coverage Ratio	0.71				
Net Cash Flow (DDA Subsidy)					(\$445,531)

Note: Amount of spaces used in calculation of Monthly/Daily Revenue is total garage spaces less spaces committed to hotel and residential project(s)

EXHIBIT "B"

Estimated Value of Tax Incentives

	Years 1-5	Years 6-10	Years 11-15	Years 15-20	Total	State	City
Renaissance Zone							
Michigan Business Tax	\$ (3.78)	\$ (3.78)	\$ (3.78)	\$ (3.78)	\$ (15.12)	\$ (15.12)	
Real Estate Taxes	(19.13)	(19.13)	(19.13)	(19.13)	(76.52)	(35.20)	(41.32)
Personal Property Taxes	(2.01)	(2.01)	(2.01)	(2.01)	(8.04)	(3.70)	(4.34)
Corporate Tax	(1.18)	(1.18)	(1.18)	(1.18)	(4.72)		(4.72)
Utility Taxes	(3.00)	(3.00)	(3.00)	(3.00)	(12.00)		(12.00)
Sub Total -Renaissance Zone Benefits	\$ (29.10)	\$ (29.10)	\$ (29.10)	\$ (29.10)	\$ (116.40)	\$ (54.02)	\$ (62.38)
MEGA							
MEGA - Creation	\$ (6.30)	\$ (6.90)	\$ (7.60)	\$ (8.90)	\$ (29.70)	\$ (29.70)	
MEGA - Retention	(7.83)	(7.80)	-	-	(15.63)	(15.63)	
Sub Total - MEGA	\$ (14.13)	\$ (14.70)	\$ (7.60)	\$ (8.90)	\$ (45.33)	\$ (45.33)	\$ -
Other Benefits							
Brownfield Credit	(10.00)				(10.00)	(10.00)	
Parking Subsidy	(10.00)	(10.00)	(10.00)	(10.00)	(40.00)		(40.00)
Total Benefits	\$ (63.23)	\$ (53.80)	\$ (46.70)	\$ (48.00)	\$ (211.73)	\$ (109.35)	\$ (102.38)

Note: In addition to the parking subsidy paid by the DDA, the City will agree to lease parking spaces for \$100 per month.

**PRELIMINARY DRAFT
(Current Proposal)**

**Summary of Building and Tax Related Costs
1/27/2006 15:48**

Square Feet		680,000	Annual Rent				
Employees		4,000	14.28				
			Years 1-5	Years 6-10	Years 11-15	Years 15-20	Total
City of Detroit							
Rent	psf	21.00	71.4	71.4	71.4	71.4	285.6
Operating costs	psf	7.50	25.5	25.5	25.5	25.5	102.0
Parking	per space	100.00	21.0	21.0	21.0	21.0	84.0
Real Estate Taxes	psf	4.15	14.1	14.1	14.1	14.1	56.4
Personal Property Taxes	psf	0.95	3.2	3.2	3.2	3.2	12.9
Utility Taxes	Estimate		3.0	3.0	3.0	3.0	12.0
			138.2	138.2	138.2	138.2	553.0
Employee Taxes	1.25%		9.8	2.0	-	-	11.7
Corporate Tax	1.00%		4.3	4.3	4.3	4.3	17.2
			14.1	6.3	4.3	4.3	28.9
Renaissance Zone Benefits							
Single Business Tax			(2.5)	(2.5)	(2.5)	(2.5)	(10.0)
Corporate Tax	1.00%		(4.3)	(4.3)	(4.3)	(4.3)	(17.0)
Real Estate Taxes	4.15		(14.1)	(14.1)	(14.1)	(14.1)	(56.4)
Personal Property Taxes	0.95		(3.2)	(3.2)	(3.2)	(3.2)	(12.9)
Utility Taxes	Estimate		(3.0)	(3.0)	(3.0)	(3.0)	(12.0)
			(27.1)	(27.1)	(27.1)	(27.1)	(108.3)
Net Cost of City of Detroit Location			125.2	117.4	115.5	115.5	473.5
Alternate Class A Building							
Rent (Incl. operating costs/taxes/pkg.)	27.00		91.8	91.8	91.8	91.8	367.2
Operating costs			-	-	-	-	-
Parking			-	-	-	-	-
Real Estate Taxes			-	-	-	-	-
Personal Property Taxes	0.95		3.2	3.2	3.2	3.2	12.9
			95.0	95.0	95.0	95.0	380.1
Tax Credits (Estimated)							
Net Cost Alternate Location			95.0	95.0	95.0	95.0	380.1
Difference			30.2	22.4	20.4	20.4	93.4
Annual			6.0	4.5	4.1	4.1	4.7
Potential Offsets							
Parking Subsidy	\$75/mo		(10.0)	(10.0)	(10.0)	(10.0)	(40.0)
Additional RZ Years							-
Brownfield Credits			(10.0)				(10.0)
Employee Subsidy					-	-	-
MEGA			(13.5)	(14.7)	(7.6)	(8.9)	(44.7)
Investment Tax Credit			(1.3)	-	-	-	(1.3)
			(34.8)	(24.7)	(17.6)	(18.9)	(96.0)
Net			(4.6)	(2.3)	2.8	1.5	(2.6)
Estimated Employee City Taxes paid			16.3	16.3	16.3	16.3	65.0
Estimated Employee State Taxes Paid			52.0	52.0	52.0	52.0	208.0

Does not include other taxes paid by QL employees (sales/real estate taxes etc.) and additional spending in the City.